Module 3
Types of EAH Benefits and Plan Implementation
Our third module describes the various types of employer-assisted housing benefits and reviews some real-life examples. We also look at some issues related to the administration and management of an EAH benefit plan.

Module 3: Learning Outcomes

At the conclusion of module three, you should be able to describe and discuss:

- The types of EAH benefits, including education, counseling and financial assistance;
- The employer’s and team’s role in implementing each benefit;
- The logistics involved in each benefit;
- Several examples of employers who have implemented EAH benefits.

Key Types of EAH Benefits

There are three key types of employer-assisted housing benefits that this class will focus on:

- Homebuyer and homeownership education;
- One-on-one counseling;
- Financial assistance.

Other Type of EAH Benefits

In addition to homebuyer and homeownership education, counseling and financial assistance, there are other techniques employers can use to help their employees obtain housing. These include vendor discounts, shared equity, mortgage payment assistance, loan guarantees, interest rate buy-downs, rental assistance, land donation, employer-constructed housing, loans for housing construction and contributions to a community housing fund.
Vendor discounts can also be utilized as part of an employer-assisted housing benefit. The employer, or the nonprofit partner who administers the programs, negotiates with the service providers on the home purchase transaction for reduced fees. For instance, they may negotiate with a lender for reduced loan origination fees or for low cost or no cost credit reports. They may also negotiate for reduced appraisal fees or home inspection costs. Vendor discounts can help an employer reduce the homebuying costs of an employee without a financial commitment from the employer. You will see an example in Module 4 of how the Maryland Real Estate Team uses vendor discounts in an employer-assisted housing program that they developed.

Under a shared equity program, an employer and employee would share the equity in a house. For instance, in a very high-cost market, such as a resort community, the employer might not be willing to provide a loan or grant, but would be willing to make a co-investment with the employee on the property and share any equity appreciation of that property. When a property is sold, or the employee leaves, the equity in the property is split according to a predetermined formula with the employee receiving a share based on his or her investment. The employer receives a share based on its investment.

One technique employers have used to attract and retain employees is mortgage payment assistance. This can take the form of a mortgage guarantee, where the employer guarantees payment of a mortgage in the event the employee cannot make the loan payments. It can also take the form of an interest rate buy-down where the employer makes an upfront payment to the lender in exchange for a reduced interest rate for the employee.

In some instances, the employer may offer rental assistance to its employees. This rental assistance may take the form of money for security deposits, or of a monthly payment to assist the employee with the rent payment. This is often used in resort communities where seasonal rents can be very expensive.

One example of a company that offers rental assistance is CVS Caremark. CVS offers financial assistance to help employees with critical skills (such as
pharmacists and store managers) live near the stores in which they work.

There are also other types of employer-assisted housing benefits that can be more expensive and more complicated to set up and administer. These include such programs as land donation, employer-constructed housing, loans for housing construction or purchase and contributions to a community housing fund. These programs often involve the employer more directly in the housing development process and are often used by employers in very high-cost housing markets and resort communities, where it is difficult and expensive to attract and retain employees.

In a high-cost housing market, an employer such as the school district or the town, might donate land on which workforce housing for their employees can be developed.

In some instances, such as a resort community, the employer might actually contract for the construction and management of housing for the workforce. An example of this is the Colorado resort community of Vail, where the employer is required to construct new housing when adding new jobs in the community.

The employer might also make direct mortgage loans to developers constructing workforce housing or contribute to a community housing loan fund that lends for workforce housing. An example of this is the Housing Trust of Santa Clara County (California), where local employers contribute to the housing fund and the housing fund in turn provides loans to developers of workforce housing, downpayment assistance loans and rental assistance payments to the employees of the contributing employers.

Homebuyer and Homeownership Education

_In the real estate world, there was one word that used to be the cardinal rule: location, location, location. That was then, before the Great Recession. This is now, and the new cardinal rule of real estate is information, information, information._

- Michelle Singletary, _The Washington Post_, The
Buying a home can be a confusing process. A buyer must wade through mounds of paperwork at the closing, followed by the daunting responsibilities that come with being a homeowner. The more information homebuyers and homeowners have, the more prepared they will be for these responsibilities.

Homebuyer education and homeownership education are two valuable EAH benefits. Homebuyer education can help prepare potential homebuyers for homeownership, while homeownership education can help current homeowners protect their investment.

Homeownership education offers many benefits to consumers, including improving financial health and money management skills and reducing loan delinquencies and defaults.

According to the 2014 National Association of Realtors® Profile of Home Buyers and Sellers, 83 percent of first time homebuyers and 63 percent of all buyers say the benefit they receive from their agent is helpful in understanding the homebuying process.

Homebuyer and homeownership education is not only a value to employees but also an easy and inexpensive EAH benefit to implement.

Homebuyer and Homeownership Workshops

Homebuyer workshops help an employee to purchase a home, while homeownership education workshops help an employee maintain a home he or she currently owns. If an employer indicates that most employees own a home, you could suggest a homeownership workshop. If the employees do not own homes, suggest a homebuyer education workshop.

The workshops can take many forms. Workshops can be put on by the
real estate agent or by a combination of the agent, lender and nonprofit partner organization. (We will talk about partners when we discuss forming a team in Module 4.)

Workshops can be offered as a series of workshops. This approach provides information over a period of time and can help build a relationship with the employer and employees.

There are little or no costs associated with conducting a workshop. Often, the workshops can be conducted at the employer’s offices, sometimes after work or on weekends. When it is not practical to conduct a workshop at the employer’s office, schedule it off site at another convenient location, such as the office of the nonprofit partner or one of the EAH team members. In general, it is not a good idea to conduct the workshops at your office or the lender’s office.

One strategy is to structure the workshops as “lunch and learn” sessions, with the workshops conducted in a company conference room during the lunch hour. The real estate agent, one of the team members, the employer, or perhaps a sponsor may want to provide sandwiches, pizza, or a snack for workshop attendees.

How the workshops are structured, the content, and when they occur should be based on the requirements of the employer and on the needs of the employees. You should discuss the requirements and needs with the employer. In Developing an Employer-Assisted Housing Benefit Plan: Step by Step Guide, you’ll find an employee homeownership survey that will indicate an employee’s homeownership educational needs.

Homebuyer Workshops

Participation in a homebuyer workshop provides the employees with the confidence and knowledge they need to purchase a home. Typically, a homebuyer workshop does not help the employee with financial barriers. Financial barriers are addressed during one-on-one counseling, which is discussed next.
Homebuyer workshops typically include information on how to select a real estate professional and other team members and on the financial aspects of homebuying – such as determining how much you can afford, how to improve your credit position, and how to obtain a mortgage.

These workshops may also include information on budgeting and saving for a downpayment and closing costs and what to expect during the homebuying process. They should also present information on financial assistance programs available in your area. Financial assistance programs can be leveraged with an EAH financial assistance benefit to stretch an employee’s homebuying dollars even further. Nonprofit organizations are a great resource to find out about these programs.

eHome America

eHome America was designed to help more people obtain Certified Homebuyer Education. Many people have a difficult time getting to their local NeighborWorks® Chartered Member office for in-person counseling, for reasons such as work schedules or babysitting issues. This online version helps individuals get the education and certification that they need at their convenience. Though this online course cannot replace in-person homebuyer counseling, participants can gain a thorough understanding of the homebuying process. Each participant in this course will be directly connected to a NeighborWorks® Chartered Member, often to a member in their area. This ensures that participants continue to receive the one-on-one counseling they need over the phone or in-person while receiving their certification online.

- eHome America (http://ehomeamerica.org)

Homeownership Workshops

There’s nothing like the feeling of being a homeowner. But owning a home is an ongoing commitment – new issues and responsibilities can come up at any time. Designed for employees who already own homes, these workshops should focus on the responsibilities of homeownership. Topics could include home improvement and ongoing maintenance, taxes and incentives, and finances and insurance.
NAR Resources

An abundance of information for homeownership workshops can be found at a number of NAR resources including the Realtors Property Resource® website, REBAC Home Buying Resources, and the NAR website. Additional information can also be found in the EAH online community.

Realtors Property Resource® (RPR®) provides easy access to detailed property and market information including school attendance zones, FEMA flood maps, and demographic information. You can read more about RPR at http://blog.narrpr.com/rpr and access the website at http://www.narrpr.com

More information and resources can be found on the Real Estate Buyer’s Agent Council (REBAC) website at http://rebac.net/home-buying

NAR also has promotional materials, customer handouts, and field guides to help provide information to homebuyers and homeowners. See the links below.

- Field Guides - http://www.realtor.org/field-guides
- Customer Handouts - http://realtormag.realtor.org/sales-and-marketing/handouts-for-customers/for-buyers

You can use the information from these websites to create the content for the homeownership workshops.

TOOLS

The Tools & Resources section of the Participant Guide contains the following tools to help you conduct a workshop:

- Homebuyer Workshop PowerPoint: Customize this and then
use it as a model for a homebuyer workshop. There is also a homebuyer workshop flyer you can customize to include the workshop date, topics, employer, and your contact information. The PowerPoint and flyer can also be found in the EAH online community. (pp. TR.57 and TR.55)

- Homebuyer & Homeownership Resources: See the complete listing in the Tools & Resources section. (p. TR.49)

Foreclosure Prevention Education

Homeowners often state that, within their community, they do not know whom to turn to for foreclosure prevention and intervention assistance. Fannie Mae research shows that many homeowners still do not know about – or understand – their options to avoid foreclosure.

General information and resources on how to prevent foreclosures should be part of the homebuyer and homeownership workshops. Foreclosure prevention education provides valuable information to families facing financial difficulty and helps homeowners avoid foreclosure. This may be particularly relevant to employers with employees concerned about losing their homes. However, new homeowners can also benefit from being aware of how they can prevent foreclosure.

When fear and desperation set in, distressed homeowners will do anything to save their homes for their families. Unfortunately, this is also a time when people are most vulnerable to scammers.

NeighborWorks America

In 2005, NeighborWorks became the leading nonprofit addressing the growing foreclosure crisis by establishing the NeighborWorks Center for Foreclosure Solutions. Congress selected NeighborWorks America in 2007 to administer the National Foreclosure Mitigation Counseling program (NFMC).

In a continuing effort to assist recovery from the housing crisis, they launched a national campaign to educate the public about loan modification scams and how to report them in 2009. The Loan Scam Alert campaign provides real-life scam stories, fliers,
postcards, posters, print advertising, and social media activity.

They have helped more than 1.7 million homeowners through the congressionally funded NFMC program. By 2014, they had become a leading trainer of community development, financial capability, and affordable housing professionals.

- NeighborWorks America (http://neighborworks.org)

Homeowners who currently have, or expect to have, difficulty making their payments should contact their loan servicer or reputable counseling agency as soon as possible to discuss options. Troubled borrowers should be careful in dealing with organizations that encourage borrowers to cease making payments or walk away from their home while also promising to repair their credit. If it sounds too good to be true, it may well be a scam that will damage the borrower’s credit and cost more in the long run. Working directly with the servicer or legitimate nonprofit organizations is the best approach for troubled borrowers.

NeighborWorks America’s 2014 Annual Report shows that homebuyers who received prepurchase education and individual counseling from network professionals were nearly a third less likely to fall seriously behind in their mortgage payments in the first 24 months than those who did not. (http://annualreport.neighborworks.org/financial-security)

You can provide information on how to find a foreclosure counselor or legitimate nonprofit organization to assist a homeowner. If the human resources staff finds that the employee needs additional counseling, the employee can take advantage of the nonprofit organization’s counseling and intervention services.

While a workshop on foreclosure prevention can educate employees on foreclosure prevention, it may not be the best format for disseminating the information; concerned that their co-workers may think they are in financial trouble, some employees may not want to attend a workshop at the workplace. Discuss this possible concern with the employer.

In lieu of a workshop, you can create a package of foreclosure prevention resources for the employer to distribute to employees in a more confidential manner. A variety of information and assistance is available,
including information on the federal government’s foreclosure response programs, working with the lender, and ineffective foreclosure assistance programs and scams.

**Home Financing Center’s Foreclosure Prevention Education Benefit**

One hospital in Florida was finding that their employees were spending time on the telephone talking to lenders and others with concerns over foreclosure of their homes. This was taking away valuable time from their duties and decreasing their productivity. The Home Financing Center was asked to provide a foreclosure workshop to all the branches for the staff of this hospital. However, very few employees attended these workshops. The employees were uncomfortable about attending these workshops and did not want anyone to suspect they were having financial problems. The Home Financing Center produced a DVD on foreclosure prevention. Within a week, the hospital had over 400 requests for the DVD.

Most nonprofit organizations that assist homeowners offer a variety of resources on foreclosure prevention that you can download and/or order, most of which are free. You can then prepare packages of materials on foreclosure prevention resources and deliver them to employers. The employee can meet privately with human resources personnel to receive the materials. (See Tools & Resources for a listing of foreclosure prevention resources.)

*Note: Before providing any loss mitigation consulting, foreclosure prevention, mortgage loan modification, or similar services, check your state’s regulations. For example, the Maryland Office of the Commissioner of Financial Regulation sets forth these regulations in the Maryland Credit Services Businesses Act (MCSBA) and the Protection of Homeowners in Foreclosure Act. (See [http://www.dllr.state.md.us/finance/advisories/advisory9-08.shtml](http://www.dllr.state.md.us/finance/advisories/advisory9-08.shtml).)

Real estate professionals should also be aware of the Mortgage Assistance Relief Services Rule (MARS Rule) which affects real estate professionals who become involved in short sale negotiations. While the intent of the MARS rule is to protect distressed homeowners from
mortgage relief scams, it is written so broadly that it also requires real estate brokers and agents acting in their licensed capacity to comply when they negotiate with the lender on the terms of a short sale.

NAR and the FTC discussed the difficulty real estate professionals have in complying with the literal requirements of the MARS rule since it was not drafted with a real estate sales transaction in mind. On July 15, 2011, the Federal Trade Commission (FTC) announced that it would forbear from enforcing most provisions of its MARS rule against real estate professionals who assist financially distressed consumers in obtaining short sales from their lenders or servicers.

Responsibility for this regulation passed to the Consumer Financial Protection Bureau (CFPB) in July 2011. CFPB pledged to honor the forbearance previously announced by the FTC. See http://www.realtor.org/topics/mortgage-assistance-relief-services-mars-rule/background for additional details.

**NAR’s Short Sales & Foreclosure Resources® Certification Program (SFR)**

NAR has a Short Sales and Foreclosure Resources® Certification Program (SFR) to help Realtors® meet the needs of homebuyers and sellers who need services related to foreclosures. The program includes training on how to manage short-sale, foreclosure, and real-estate owned transactions, and provides resources to help real estate agents stay current on national and state-specific information as the market for these distressed properties evolves. See http://www.realtor.org/designations-and-certifications/sfr for more details on the program.
One-on-One Counseling

One-on-one counseling is often offered following the workshops. The nonprofit partner typically conducts the one-on-one counseling sessions. One-on-one counseling offers the opportunity for employees to discuss their individual situations with a counselor in a private setting. One of the outcomes of the counseling session should be an employee who is prepared both financially and emotionally for the homebuying process.

The employees may consult with a counselor on past credit issues, their current credit situation and their current financial situation. The counselor will offer specific advice and recommendations based on the employee’s situation.

In cases where the employee already owns a home, counseling can help homeowners avoid foreclosure via foreclosure intervention counseling. Following the foreclosure workshops, the homeowners can often have an individual meeting with a foreclosure counselor, where they can privately discuss their personal situation.

A new study, published in 2014, for NeighborWorks America by the Urban Institute found that homeowners saved tens of millions of dollars annually because of the National Foreclosure Mitigation Counseling (NFMC) program. The Urban Institute evaluation demonstrates the following:

- Counseling greatly increased a homeowner’s ability to cure a serious delinquency or foreclosure
- Counseled homeowners were about 60% less likely to re-default
- Counseled homeowners are 3 times more likely to obtain a loan modification

More than 1.8 million homeowners have been helped by the NFMC program since it began in March 2008. See http://neighborworks.org/homes-finances/foreclosure/foreclosure-counseling-%28nfmc%29/urban-institute-evaluation for more details.
In 2012, HUD released two reports on the impact of HUD-approved housing counseling for families who purchase their first homes and those struggling to prevent foreclosure. In both studies, HUD found housing counseling significantly improved the likelihood homeowners remained in their homes.

When a real estate agent refers employees to a nonprofit organization for counseling, it is important for the real estate agent to conduct follow-up. You may want to have an understanding with the nonprofits you work with that they will refer the employee back to you upon completion of the counseling if he or she is considering purchasing a home. However, the employee is under no obligation to use you or your firm to purchase a home.

One way to facilitate this process is to act as a point of contact for the employer and employee, taking their phone calls, maintaining lists of nonprofits and lenders, and providing the contact information for these organizations to the employers and employees upon request.

The counseling sessions are typically conducted at the nonprofit’s office or at the home of the employee. However, the workplace may offer another potential location for the sessions if a private location cannot be provided.

The employer can also assist employees by allowing the employee time off from work to attend counseling sessions, providing information to allow the employees to contact the counselors, and assisting with any counseling fees.

The upcoming module on forming a team discusses how to find and contact non-profit counseling organizations.

Nonprofit Counseling Fees

Depending on how the nonprofit organization is funded, fees may be applied to the educational and counseling services they provide, or they may be able to provide the services to the employers at no cost. If fees are applied, they are typically very reasonable.
Many nonprofit housing counselors are funded through government or private grants to provide education and counseling services. In these instances, the nonprofits are often able to provide their services at no cost to the client or the employer.

In other instances, it may be necessary for the nonprofit to charge a fee for the education and counseling services. A fee may be charged for each participant, or employers may negotiate a flat annual fee with the nonprofit.

For example, the partner nonprofit may charge a minimal fee per employee to the employer for the services. The employer might also negotiate an annual fee arrangement with the nonprofit for an estimated number of employees.

Workshops and Counseling as the First Step

Educational workshops and one-on-one counseling benefits can be a good phase one for an employer-assisted housing benefit. These benefits are easy and inexpensive to implement. There is no need for the employer to make a significant financial investment. Financial assistance benefits can be added later. Education and counseling can be used to demonstrate the benefits to the employer and can generate positive publicity for the employer. Ultimately, offering these benefits as a starting point can help employers get their feet wet before moving to a financial assistance benefit.

Financial Assistance

Financial assistance benefits may help employees overcome a financial barrier, some of which were discussed in Module 1. They are used to provide employees with additional funds for downpayments and closing costs. Financial assistance benefits typically provide the additional funds needed to get the employees over the hump of financial restraints and allow them to purchase a home.

The basic types of EAH financial assistance benefits are loans, grants and matched savings accounts. These benefits can be leveraged with other
financial assistance programs as you will see later in the module. Financial assistance benefits can be structured to encourage retention by adding a requirement that the employee needs to stay with the company for a certain amount of years or to assist with neighborhood revitalization by requiring that the house be purchased in a certain neighborhood.

Unlike the educational workshops and the counseling, a financial assistance benefit requires resources from the employer to administer and manage the benefit. Also unlike the educational workshops and one-on-one counseling, which have almost no cost to an employer, loans, grants and matched savings do require a visible cost to the employer. Financial assistance typically ranges from $1,500 to $10,000 per employee, depending on the goals and the market. Typically, $3,000 per employee is ideal for a financial assistance benefit.

The key hurdle to implementing a financial assistance benefit is that it requires a financial commitment on the part of the employer. Some employers may be very willing to make this financial commitment; others may need to see the cost/benefit analysis and others may wish to wait and see how effective the homebuyer education and counseling programs are before committing additional money.

In addition to the costs of providing financial assistance, additional costs may occur in administering a financial assistance program. There may not be staff resources or staff expertise available to administer financial assistance. In many cases the employer can use the nonprofit partner to administer the program, paying the nonprofit a fee for the services it provides.

If the employer is not providing a direct financial assistance benefit, they can still provide employees with information (via the workshops) on where to find out about financial assistance monies that are available through other sources (city, state, nonprofit programs, etc.). The employer may want to post these resources on the company website and/or in the employee manual.

Employers may be reluctant, particularly at first, to provide actual
monetary financial assistance. This may be due to financial constraints or because they are not sure of the value of the program. If this is the case, homebuyer education and one-on-one counseling may be the options to implement. Many employers first start with the homebuyer education and counseling programs and add financial assistance at a later time.

**Loans**

The first type of financial assistance is an employer-provided loan. Typically, the employer provides a small loan to the employee to assist with the downpayment and closing costs. These loans typically range from approximately $1,500 to $10,000.

Loans may be available to all income levels and property locations, or the employer may limit the loans to certain income levels, such as below 120 percent area median income and may limit property locations to the local community or specific revitalization areas.

To meet the goals of the employers, they may want to include eligibility requirements when they offer a loan. These could include specifying where the employee can purchase a home, such as within 10 miles of the workplace; the length of time the employee needs to stay with the company in order for the loan to be forgiven; or the income level of the employee, which targets those most in need.

Loans are typically secured with a lien on the property to prevent the employee from selling the property and moving without repaying the loan. Employer-provided loans are typically structured as repayable, deferred or forgivable.

With a repayable loan, the loan is structured to be repaid to the employer with regular scheduled payments.

With a deferred loan, the payment on the loan is deferred until some point in the future (often five years), or until some event occurs (the property is sold, the employee changes jobs, etc.).
Forgivable loans are similar to deferred loans, except no payment is required in the future, provided certain requirements are met, such as the employee remains with the employer for a set period of time. For example, an employer might forgive 20 percent of the loan balance each year for five years provided the employee remains with the employer and continues to live in the house.

Grants
An employer-provided grant is similar to a forgivable loan. The employer provides a grant to the employee in order to assist with downpayment and closing costs.

Typically, grants do not have to be repaid unless the employee leaves the company before a set period of time (such as five years) has passed.

An employer might prefer a grant to a loan simply because a grant may be easier to administer.

As with loans, employers may want to include eligibility requirements when they offer a grant to meet some of their business goals. These could include specifying where the employee can purchase a home, such as within 10 miles of the workplace; the length of time the employee needs to stay with the company; and the income level of the employee, which targets those most in need.

**EAH Program Example - BMO Harris Bank**

BMO Harris wants to help more of their employees achieve the dream of owning their own home by providing a $2,500 grant towards closing costs or the down payment on the employee’s first home with a BMO Harris first mortgage. The grant must be repaid if employee leaves the company within three years. See www.bmoharris.com/wbl/pdfs/bhb_eha_overview.pdf
Matched Savings

Matched savings plans are often used by employers to encourage employees to save money for a specific purpose, such as the purchase of a home. This is a particularly effective tool for lower-wage employees who do not have savings for a downpayment.

With a matched savings plan, employee savings, up to a specified dollar amount, are matched by the employer at a stipulated ratio (1-to-1, for example) and placed in a fund. The employer specifies what those funds can be used for. Most likely, as is the case with all financial EAH programs, the funds can be used to buy a home. But this is up to the employer. An employer might choose a matched savings and allow the funds to also be used for home renovation on an existing home for example.

The concept of an employer-matched savings plan is similar to employer matches provided for retirement plans, such as 401Ks, where the employer matches the amount invested by the employee up to a set level.

Matched savings plans can be used to encourage employees to save for home purchases.

An employer will often tie their contributions to a matched savings account to an employee’s tenure with the company. For example, offering a limited match for new employees and a full match for employees who have been employed for a longer period.

EAH Plan Implementation, Administration, and Management

We have discussed three EAH benefits an employer can implement: homebuyer and homeownership education, one-on-one counseling, and financial assistance. Before implementing a benefit, however, an employer first needs to determine which type of EAH plan to offer.

There are several steps an employer should take to implement an EAH benefit:
EAH Benefits – Planning Steps for the Employer

1. **Determine Business Goals** – First, the employer needs to see how an EAH benefit can help meet some business goals. The employer can conduct a needs assessment to determine its company’s goals, such as recruitment and retention, building staff loyalty, or generating positive publicity for the employer.

   Many employers offer work-life benefits as a way to help employees deal with life demands that can impact their work. If, for example, employees worry about their ability to purchase a home, offering a homebuyer workshop or one-on-one counseling may ease those concerns. If an employer has retention needs, it may want to offer a financial benefit with a requirement that the employee must stay at the company for a set amount of years.

   The employer may want the EAH benefit to do more than a typical benefit. For example, the employer may want to make the location of the home an eligibility requirement to help reduce commuting time or encourage neighborhood revitalization.

2. **Determine the Needs of Employees** – Employers can assess the needs of their employees using a tool such as a homeownership survey. This will provide information on current housing needs and help them gauge how many employees might participate in an EAH benefit.

   If the survey shows that most employees already own a home, the employer might want to provide a workshop on home maintenance or foreclosure prevention. If the survey shows a small number of interested employees, the employer can plan appropriately and set up a small program. (The Step-by-Step Guide includes an example of a survey.)

3. **Conduct a Cost/Benefit Analysis** – Employers considering a financial benefit should conduct a cost/benefit analysis. It will help them understand how much of an EAH benefit they can offer based on lower turnover costs. A cost/benefit analysis should consider factors such as the employer size, employees’ salaries, recruitment expenses, turnover rate, and so forth.

   Employee turnover and lost productivity cost money. If the
employer can reduce turnover and increase productivity through an employer-assisted housing benefit, the company can save money. Employers and human resource departments will be familiar with turnover costs. The costs of training new employers may be high and employers should see if an EAH benefit might help decrease these costs.

4. **Implement the Benefit Plan** – After taking the three previous steps, the employer can select and implement the right EAH benefit plan for the company. You and your team can help to implement the benefit, especially the homebuyer and homeownership education component. Employers should also have both legal and accounting staff review the benefit plan and any associated documentation.

5. **Evaluate the Plan** – The final step is to set up a process to measure and evaluate the plan’s success.

**TOOL**

You can find details on these steps in *Developing an Employer-Assisted Housing Benefit Plan Step-by-Step Guide*, which includes a sample survey. Make sure you review the Step-by-Step Guide before meeting with the employer, and refer the employer to the guide at the meeting. (p. TR.63)

**EAH Plan Administration and Management**

You are not expected to administer or manage the EAH benefit plan, especially if the benefit provides financial assistance. This is the employer’s responsibility.

The time and effort involved in managing an EAH benefit plan depends on what type of benefit the employer chooses. A simple plan, such as providing onsite homebuyer workshops conducted by you and your team, requires minimal time and staff resources. A more extensive plan, such as a forgivable loan, generally involves more time and staff resources.

Employer-assisted housing financial assistance benefits can be complex for an employer to set up and administer. Most employers’ human
resources staff have experience in creating a new employee benefit plan. However, it is often more cost effective for an employer to partner with a nonprofit organization or a for-profit company to set up and administer financial assistance benefits, just as may be done with the management of health benefits.

Note: NAR is partnering with NeighborWorks to introduce employer-assisted housing to their non-profit organization members. Several EAH Workshops were held at the NeighborWorks Training Institutes (NWTI). In 2014, at the NWTI held in Louisville, KY, an EAH class was held. More EAH classes are planned for upcoming NWTIs.

Coastal Housing Partnership EAH Services

For example, in California, employers pay an annual fee to become a member of Coastal Housing Partnership, a nonprofit housing organization. The fee is based on the size of the company and the number of employees who might take advantage of an EAH benefit. This allows employees to access the discounts and other services (including homebuyer education) provided by Coastal Housing Partnership. Coastal Housing has a sliding dues scale for these services based on the size of the employer. For 2015, these dues range from $795 for an employer with under 26 employees to $12,600 for an employer with more than 2,500 employees. Total annual dues for a company of 51-100 employees are at $2,300, and annual dues are $3,650 for a company with 101-250 employees. See http://coastalhousing.org for more details.

Select Milwaukee

Select Milwaukee has a national reputation for its Employer-Assisted Homeownership (EAH) initiative. Since 1991, several Milwaukee employers have retained Select Milwaukee to administer their employee homeownership fringe benefit programs. EAH program services for employers include program administration, such as downpayment benefit processing and monitoring of employee participation, as well as worksite marketing and outreach services. Select Milwaukee services and resources that encourage and support sustainable homeownership among employees include personal guidance on financing affordability, qualification assessments, homebuyer/homeowner education, and information sessions on personal finance, market-related homeownership and mortgage
trends and resources. See http://selectmilwaukee.org/what-we-offer/employer-assisted-homeownership/the-business-case-for-eah/ for additional information.

TOOL

The Step-by-Step Guide provides model documents for employers such as templates for loans, grants, and matched savings; an employee loan application; and a certification of employee eligibility. Make sure you review the Step-by-Step Guide before meeting with the employer, and refer the employer to the guide at the meeting. (p. TR.63)

Public Programs Help Leverage EAH Benefits

Employer-provided EAH financial assistance can often be leveraged with public money to create a greater benefit for the employee.

Federal, state, and local governments might help with affordability by offering downpayment assistance programs, special homebuying programs, or below-market interest rate loans. As long as the EAH benefit meets financial assistance program requirements, it can be combined with these programs to leverage an EAH benefit from an employer.

Federal agencies offer housing assistance programs, including the VA Home Loan program, HUD’s Good Neighbor Next Door program, and FHA Loans.

The VA Home Loan program enables veterans and active duty personnel to get a loan from a private lender, but the VA will “stand behind” the loan. The lending institution works with the VA to cover any losses it might incur. Most loans are handled entirely by lenders. VA rarely gets involved in the loan approval process (see www.benefits.va.gov/homeloans/lp.asp).

HUD’s Good Neighbor Next Door offers a substantial incentive in the form of a 50 percent discount from the list price of the home. In return, the homebuyer must commit to live in the property for 36 months as their

Also, HUD’s HOME provides formula grants to states and localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. The program’s flexibility allows state and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancement, or rental assistance or security deposits. The HOME Program can be used effectively to support EAH programs (see www.hud.gov/offices/cpd/affordablehousing/library/modelguides/2000/2019.cfm).

FHA loans have been helping people become homeowners since 1934. Most FHA programs require the borrower to make a minimum downpayment into the transaction of at least 3.5 percent of the lesser of the appraised value of the property or the sales price. Additionally, the borrower must have sufficient funds to cover borrower-paid closing costs and fees at the time of settlement. Funds used to cover the required minimum downpayment, as well as closing costs and fees, must come from acceptable sources and be verified and properly documented.

An Employer Assisted Housing (EAH) benefit in the form of a gift or a loan is considered an acceptable source of borrower funds and is eligible for use toward the buyer’s 3.5 percent investment. The EAH benefit may also be used toward closing and settlement costs or to offset mortgage insurance premiums.

HUD has different categories that are allowed for down payment assistance. “Gifts” are one category, where as “employer assistance” is another category. So for funds to be considered a gift - there can be no repayment. Employer assistance is not considered a gift if it is a loan, but it is still allowed toward the down payment.

For more information, see www.hud.gov/buying/loans.cfm and http://portal.hud.gov/hudportal/documents/huddoc?id=4155-1_5_secB.pdf
State Housing Finance Agencies (HFAs) have provided affordable mortgages to 2.6 million families to buy their first homes through the Mortgage Revenue Bond (MRB) program. Using Housing Bonds, the Housing Credit, HOME, and other federal and state resources, HFAs have crafted hundreds of housing programs, including homeownership, rental, and all types of special needs housing (see www.ncsha.org/about-hfas).

**Pennsylvania Housing Finance Agency’s Employer Assisted Housing Initiative**

Participating employers that offer a monetary home purchase benefit to their staff can partner with PHFA to stretch their employees’ homebuying dollars even further. Although the employers’ benefits do not have to be contingent on a PHFA mortgage, if the employee is approved for a PHFA mortgage through a participating lender, the borrower will receive additional financial advantages, at no cost to the employer.

State and local governments can maximize the likelihood of local employers offering an EAH benefit by offering financial incentives to augment or offset private contributions and by facilitating collaboration with nonprofit organizations that work with interested employers to plan and manage EAH benefit programs. These initiatives can include providing matching funds for downpayments, giving tax credits to employers that provide housing assistance financing as employee benefits, administering programs targeted to municipal employees, and partnering with nonprofit housing organizations. Communities with limited funds can encourage employers to take a leadership role in advocating for new development and policy changes that can help meet local needs.

**Philadelphia “Home Buy Now” Program**

The Philadelphia “Home Buy Now” program provides government matching funds that boost the purchasing power for employees who buy a home in Philadelphia. An employer’s contribution to an employee (at a minimum of $500 per employee) is matched dollar-for-dollar by the city up to $4,000 and can be used to defray homebuying costs. See more about this program at http://www.uac.org/philadelphiahomebuynow
The Illinois Housing and Development Authority (IHDA) launched a one year pilot program that funds a 3:1 match up to $7,500 to employer-funded downpayment assistance for households earning up to 80% of the area median income (AMI).

You should conduct research to find examples from your own community and state. When you meet with local employers, present the data you found.

**TOOL**

The State & Local Housing Assistance Programs resource in the Tools & Resources section will list some examples of state and local financial assistance programs. You should find out what programs exist in your community. (p. TR.25)

**EAH Tax Incentives for Employers**

As a way to encourage employers to offer an EAH benefit, individual states may offer tax advantages to employers that provide EAH benefits.

The state of Illinois, for example, has the Illinois Affordable Housing Tax Credit (IAHTC) program to encourage private investment in affordable housing by providing donors to qualified non-profit affordable housing sponsors with a tax credit on their Illinois state income tax equal to 50% of the donation. For employer-assisted housing developments, 100% of units must serve eligible employees earning up to 120% of the area median income (AMI). Eligible employer investments include downpayment assistance grants and the costs of program administration and homebuyer education for households earning up to 120% of the AMI. Employers located in the City of Chicago must apply for these credits with the City of Chicago’s Department of Housing and Economic Development and employers located in Illinois outside of the city must apply for those credits with the Illinois Housing and Development Authority (http://www.ihda.org/developer/iahtc.htm). Employers without a tax liability can apply for these credits and then syndicate them on the open market in return for cash.
Other states may be considering similar legislation, so follow and monitor any possible legislation that your state may introduce and pass.

In 2015, the House Bill H.R. 480, "Housing America’s Workforce Act" was introduced. This bill creates a tax incentive for businesses to encourage more employers to offer employer-assisted housing benefits to their employees. The Housing America’s Workforce Act builds on innovative private and public initiatives that have demonstrated success in tackling housing shortages. Employers could qualify for a 50% tax credit when helping employees with rent and homeownership assistance and small firms could receive as much as 100% of the outlay. Additionally, this assistance would not be included in employees’ gross income, helping lower tax bills for low-income and middle-income workers. NAR’s Housing Opportunity program strongly supports employer-assisted housing programs, and NAR sent a letter to Representative Nydia Valazquez thanking her for introducing the legislation.

**REACH Illinois Tax Credit Incentive**

In this example, an investment of $22,000 yields a program valued at $34,000 with a net cost of less than $3,000. A program of this size could be suitable for a company with 200 to 400 employees.

<table>
<thead>
<tr>
<th>Budget</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counseling/administration: 15–20 employees</td>
<td>$10,000</td>
</tr>
<tr>
<td>Downpayment assistance:</td>
<td></td>
</tr>
<tr>
<td>4 employees at $3,000/employee</td>
<td>$12,000</td>
</tr>
<tr>
<td>Gross investment by employer</td>
<td>$22,000</td>
</tr>
<tr>
<td>Less state tax credit</td>
<td>-$11,000</td>
</tr>
<tr>
<td>Less federal tax deduction*</td>
<td>-$8,360</td>
</tr>
<tr>
<td>Net cost of program</td>
<td>$2,640</td>
</tr>
</tbody>
</table>
### Program Value vs. Cost

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Employer investment</td>
<td>$22,000</td>
</tr>
<tr>
<td>Matching funds**</td>
<td>$12,000</td>
</tr>
<tr>
<td>Total financial value</td>
<td>$34,000</td>
</tr>
</tbody>
</table>

*Figure is based on the 38% tax bracket \([(\text{full investment}) \times .38]\).

**If employees meet state income requirements, they will be eligible for up to $5,000 in matching downpayment assistance.

See [http://reachillinois.org/cost.asp](http://reachillinois.org/cost.asp) for more details.

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## Tax Implications for Employees and Employers

An EAH financial assistance benefit from an employer to an employee can have tax implications for the employee. Employees should consult with their tax advisers for counsel on their specific situations.

The IRS considers forgivable loans and grants as compensation. As such, they are taxed as income to the employee and are deductible as a business expense to the employer.

A grant would be taxable to the employee in the year in which it was provided and would be deductible as an expense to the employer in the same year.

Forgiviable loans would be taxable when they are forgiven. For instance, if an employer provides a $5,000 forgivable loan and forgives $1,000 of this loan each year, the $1,000 forgiven would be considered taxable compensation to the employee in that year and would be deductible as a business expense for the employer in that year. The principal portion of loans that are repaid does not affect the employee’s tax situation.

Additionally, deferred or reduced interest on loans over $10,000 may result in the IRS treating the deferral or reduction in interest as income to the employee, creating additional tax liability for the employee. In these instances, the IRS will impute interest income based on the
deferred or reduced amount versus the market interest rate and will include this imputed amount as income to the employee.

In some instances, employers “gross up” the loan or grant amount to compensate the employee for the increased tax liability. For instance, if the grant for the downpayment was $5,000, the employer might gross up the $5,000 to $6,250 (where $1,250 are the assumed taxes on $5,000) to compensate the employee for the increased tax liability.

Mississippi passed legislation in 2009 that allows an employer to give workers up to $10,000 toward the purchase of a home and to give workers a one-time gift of up to $2,000 for rental assistance or security deposits. The bill exempts an employee from state income tax on those funds.

Other states may be considering similar legislation, so follow and monitor any possible legislation that your state may introduce and pass.

Employers Offering EAH Benefits

Let’s look at some data on employer’s who offer employer-assisted housing benefits.

According to the 2014 Employee Benefits survey conducted by the Society for Human Resource Management:

- 3 percent of employers offer housing counseling as part of an EAH or relocation benefit (down from 7% in 2013).
- 1 percent of employers offer downpayment assistance as part of an EAH or relocation benefit (down from 3% in 2013).
- 2 percent of employers offer mortgage assistance (down from 3% in 2013).

According to the Metropolitan Planning Council, not all employees will use an employer-assisted housing benefit, and not all of those will use this benefit at once. Typically only 10 percent of employees actually participate in counseling, and of those, only 1-to-2 percent utilize a
financial assistance benefit when the benefit is offered to employees.

This is an important point to note to employers. Not all the employees will utilize the employer-assisted housing benefit, and typically employers will not have a significant demand for financial assistance benefits all at the same time.

**EAH in Action**

We have some examples of employer-assisted housing at a small employer, at a government employer, at a place-based employer, at a midsize employer and at a large employer. In these examples, you will see the application of employer-assisted housing in different types of housing markets, what goals the employer had and how the different programs can be blended together.

**EAH at a Small Employer**

Let’s start off with a case of Brownstein, Hyatt, Farber and Schreck. Brownstein Hyatt is a small law firm with under 100 employees based in Santa Barbara California.

Santa Barbara is a very expensive housing market, and the employer has had difficulty attracting and retaining workers. Additionally, it has been difficult to replace employees who leave, so when an employee leaves, there is a significant cost to the company.

Brownstein Hyatt created an employer-assisted housing benefit with two components: homebuyer education and discounted rates on home-purchase and mortgage servicers. They do not provide direct financial assistance.

To create the program, Brownstein Hyatt partnered with a local nonprofit, the Coastal Housing Partnership, which administers the program and conducts the homebuyer education.

Coastal Housing is a nonprofit that brings together real estate professionals who provide a variety of discounted services to individuals.
buying or renting a home in the Santa Barbara area. These services are available to the employees of the companies who join Coastal Housing Partnership by paying their annual membership fee. Employers refer employees to CHP. Employees fill out a form to get the authorization letter from CHP. That is what they take to the service providers to get the discounts.

Through the partnership with Coastal Housing, Brownstein Hyatt is able to take advantage of an already established program for discounts on home purchase and mortgage services.

These discounts include discounted lender fees, appraisal fees and inspection fees, as well as a quarter point mortgage interest rate reduction for individuals who have completed the homebuyer education programs.

Brownstein Hyatt has had a very favorable outcome from the employer-assisted housing benefit.

As a result, the company has become a strong advocate for employer-assisted housing in Southern California. The company feels that the employer-assisted housing benefit has set it apart as an employer of choice in the minds of prospective employees.

**EAH at a Government Employer**

The next case is an example of employer-assisted housing at a government employer. The employer is the District of Columbia. The case is designed to demonstrate the use of matching closing cost funds and deferred second trust loans to increase employees opportunity to become first-time homeowners in Washington, D.C.

This program is available to most government workers after one year of employment including police officers, teachers, fire-fighters and EMTs. Through the Employer-Assisted Housing Program (EAHP), the Department of Housing and Community Development (DHCD) provides eligible applicants with up to $1,500 in matching closing cost funds and a deferred second trust loan of up to $10,000.
The employee must be a full-time District of Columbia government employee, first-time homebuyer in the District of Columbia, have sufficient income to afford a mortgage loan from a private lender, and possess a good credit rating.

Although the employee can select a first trust lender of their choice, the maximum loan amount is $625,500. Applications are handled through a number of Community Base Organizations in the Washington, D.C. area. (See http://www.gwul.org/programs/housing/eahp for more details.)

EAH at a Place-Based Employer

The next example is a place-based employer, the Johns Hopkins University and Hospital. This example focuses on the use of an employer-assisted housing benefit by an employer to improve the quality of life of its employees and redevelop the surrounding neighborhoods. It also provides an example of leveraging matching funds from other programs.

Johns Hopkins University and Hospital are located in Baltimore and have more than 52,000 employees.

The university and hospital wanted to strengthen the community in the neighborhoods surrounding the university and to encourage employees to live near their work. The employer-assisted housing benefit focuses on these goals.

The program includes a homebuyer education and counseling program and also has a financial component. The financial component is a grant of up to $36,000, which varies depending on neighborhood.

During the first five years, if the employee leaves Johns Hopkins or does not live in the property, they are required to repay all or part of the grant. The repayment requirements are 100 percent for the first three years, 50 percent during the fourth year, and 25 percent during the fifth year.

Johns Hopkins has partnered with several organizations to structure this EAH benefit. The financial assistance component is funded primarily by
Johns Hopkins and through a major grant provided to Johns Hopkins by The Rouse Company Foundation. The financial assistance component also includes a $1,000 match from the City of Baltimore’s Live Near Your Work program. Read more on the Live Where You Work program. http://livebaltimore.com/financial-incentives/details/live-near-your-work#.vsgld1fcp4

This is another excellent example of how an employer-assisted housing benefit can leverage funds from other sources to help employees purchase a home.

Johns Hopkins administers the program internally and contracts with a nonprofit housing organization for homebuyer education and counseling.

Johns Hopkins has had positive results from its employer-assisted housing benefit.

To-date, hundreds of employees have been awarded grants and purchased homes. Additionally, the university increased the vibrancy of the neighborhoods nearby their campuses and hospital. (See http://web.jhu.edu/lnyw/index.html for details.)

EAH at a Midsize Employer

Our next example is System Sensor, a manufacturer based in St. Charles, Illinois, with 500 employees. The company was having difficulty attracting and retaining well-paid manufacturing workers and was experiencing higher than normal absenteeism due to the long commutes many of the workers experienced on a daily basis.

System Sensor’s employer-assisted housing benefit includes two components: a homebuyer education program and a $5,000 forgivable loan from the company.

In order for the employee to be eligible for the $5,000 loan, the employee must purchase a home within 15 miles of the workplace. The loan is forgiven over five years provided the employee remains with the company.
System Sensor partnered with two nonprofits to develop and implement the program. The Metropolitan Planning Council of Chicago designed the program and developed a measurement metrics. Joseph Corporation, a local nonprofit, administers the program and provides the homebuyer education and counseling.

System Sensor has had a positive experience with their employer-assisted housing benefit. Of the 122 employees who have completed the homebuyer education, 67 have purchased homes.

In addition, System Sensor estimates that it saves approximately $100,000 per year through increased workforce stability.

**EAH at a Large Employer**

Our last employer-assisted housing example is the University of Chicago and the University of Chicago Medical Center. Combined, these organizations have more than 14,000 employees.

The university and medical center needed to improve the affordability of housing in the established neighborhoods nearby and wanted to improve the quality of life for their employees by having them locate closer to work. They also wanted to redevelop some of the neighborhoods surrounding the university. The established employer-assisted housing benefit focused on these goals.

The program includes a homebuyer education and counseling benefit and also has a financial component. The financial component is an interest-free forgivable loan of up to $10,000 that is forgiven over five years, provided the employee remains employed by the university and medical center. Additionally, matching funds (up to $5,000) are available from the State of Illinois for certain targeted neighborhoods and income ranges. In these instances, the homebuyers receive a combined $15,000 to assist in their home purchase. Some employees received additional benefit from Chicago’s mortgage credit certificate program, as well as other city, state, foundation and private lender programs.
This is an excellent example of how an employer-assisted housing benefit can leverage funds from other sources to help employees purchase a home.

The university and medical center partnered with the Metropolitan Planning Council for the design of the program and partnered with Neighborhood Housing Services in Chicago to administer the program and provide homebuyer education and counseling.

The involvement of these two nonprofit partners facilitated the leveraging of the matching state funds.

The university and medical center have had positive results from their employer-assisted housing benefit.

Today nearly 6,000 staff employees live near campus. Current development in and near the University is at an unprecedented level.

The university increased the vibrancy of the neighborhoods nearby and also contributed $1 million to a nonprofit loan fund to rehabilitate neighborhood rental properties.

**TOOL**

You can see more examples of employers implementing EAH benefits on a list located in the Tools & Resources section of your guide (p. TR.21). You may want to give this list to the employer during your meeting.

**Using EAH Benefits to Overcome Barriers**

Let’s look at the barriers we discussed in Module 1 and the employer-assisted housing benefit type that addresses the barrier.

Homeownership barriers include lack of knowledge; mortgage qualification; lack of confidence; credit scores; fears/myths; and lack of funds for downpayment and closing costs.
Homebuyer education can be used to address the lack of knowledge about the homebuying process as well as the fear and myths about the process.

One-on-one counseling can be used to improve an individual’s confidence in their ability to purchase a home, as well as to address credit score issues and mortgage qualification. Financial assistance is designed to address a lack of funds for downpayment and settlement costs.

Module 3 Summary

Module 3 introduced the different types of EAH benefits: homebuyer and homeownership education; one-on-one counseling; and financial assistance, including a discussion on loans, grants and matched savings.

Also included in the module were examples of how public funds can be used as part of an EAH financial assistance package, and examples of EAH at a small employer, a place-based employer, and a government employer.